Evaluate Vantage

February 10, 2017

# Snippet roundup: Pressure is on for Axovant and Glaxo

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Welcome to your weekly roundup of EP Vantage's snippets – short takes on smaller news items.

This week, February 6-10, 2017, we had thoughts on the following: price gouging is a Marathon, not a sprint; can Tesaro tempt Sanofi or Gilead?; Lundbeck's exit sets up a binary year for Axovant; Glaxo braces investors for Advair's last gasp; Parsabiv a fraction of Sensipar; heartache for Carmat; CD123 safety scares can't stop Cellectis.

These snippets were previously published daily via twitter.

**Price gouging is a Marathon, not a sprint**

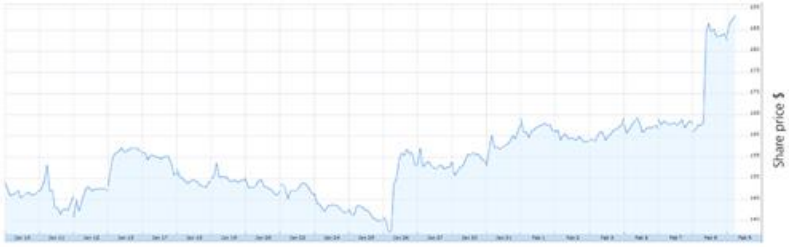
**February 10, 2017**

"Bro. These guys invented price increases. I literally learned it from them." This statement, referring to Marathon Pharmaceuticals, comes from Martin Shkreli's new website, and when the poster child for price gouging hails a company it is time to pay attention. Marathon intends to price its newly approved symptomatic Duchenne muscular dystrophy drug Emflaza at $89,000 per year; with generic deflazacort going for around 60 US cents a pill this is an increase of around 8,900%, putting Mr Shkreli's 5,500% hike of the HIV drug Daraprim in the shade. Marathon insists that it will have "robust patient support programs" to help families afford its product, but with President Trump apparently determined to crack down on price hikes the company will surely not escape criticism.

**Can Tesaro tempt Sanofi or Gilead?**

**February 9, 2017**

Rumours that Tesaro has attracted acquisition interest should not come as too much of a surprise. There are plenty of bigger players that need to buy in growth – Gilead and Sanofi being two of them – and with a promising asset in the form of niraparib and a market cap of around $10bn, Tesaro is digestible. The media reports did not name any names, but Gilead is desperate for new blood to offset its dwindling hep C revenues, while Sanofi is under pressure after losing out on Medivation and, reportedly, Actelion. However, the French company's chief executive, Olivier Brandicourt, played down the need for deals during its fourth-quarter earnings call and highlighted its "disciplined approach towards M&A", only looking at deals "where we strongly believe we can achieve a return on invested capital…within three to five years". If Sanofi loses out a third time Mr Brandicourt could face calls to loosen the purse strings – a situation that Gilead is already facing.




Tesaro 1 month share price

**Lundbeck's exit sets up a binary year for Axovant**

**February 8, 2017**

Confirmation that Lundbeck and Otsuka's 5-HT6 antagonist idalopirdine is destined for the R&D dustbin has once against turned the spotlight onto others working in this class, most importantly Axovant, which has witnessed the loss of two competitors from this space since its shares debuted on the New York stock exchange in late 2015. Despite the clinical failures elsewhere the sellside remains optimistic – the company boasts a market cap of $1.2bn. The bull thesis rests on a belief that Axovant has found the right therapeutic window

with intepirdine, unlike its competitors, which also struggled with tolerability. But many refuse to be convinced that this approach has any future, and contend that the reason why Lundbeck and Pfizer had to lower their dosages will come back to haunt Axovant. What is certain is that this will remain one of the most controversial stocks in 2017, until data from two late-stage trials emerge towards the end of the year.

**Intepirdine readouts in 2017**

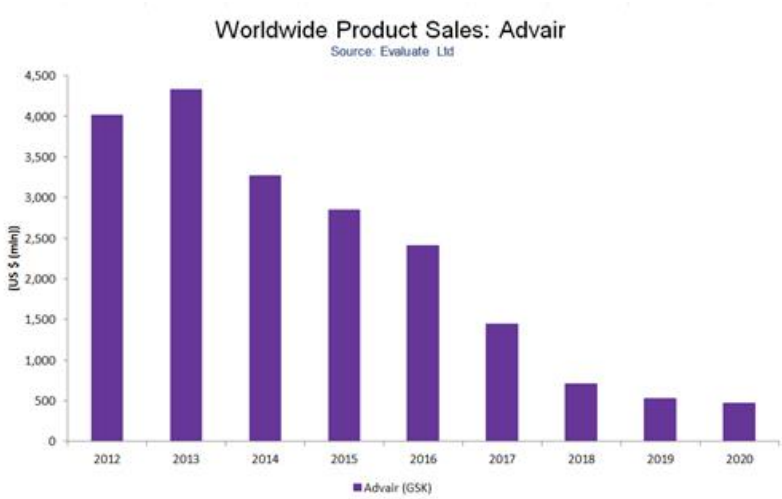
| Study | Enrollment | Indication | Data | Trial ID |
|---|---|---|---|---|
| MINDSET | 1,150 | Mild to Moderate Alzheimer's Disease | 3Q17 | NCT02585934 |
| HEADWAY-DLB | 240 | Dementia With Lewy Bodies | 4Q17 | NCT02669433 |

*Source: EvaluatePharma*

### Glaxo braces investors for Advair's last gasp

### February 8, 2017

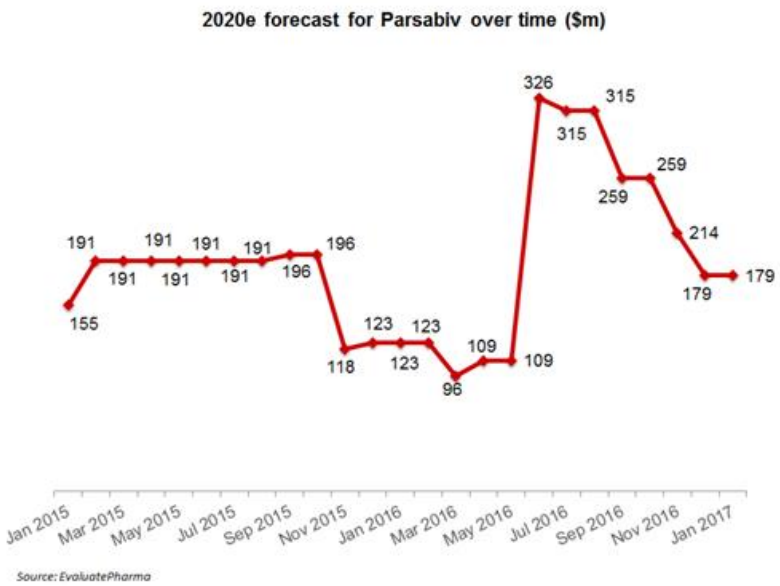
The prospect of generic competition to Glaxosmithkline's flagship respiratory product Advair has loomed for years. So it is perhaps surprising that, when the pharma giant finally put a number on the potential damage a copycat could inflict, investors flinched. Should a fully substitutable product reach the US market in the middle of 2017, 5-7% of earnings growth this year will effectively be wiped out, the company said today. Whether this comes to pass depends on the FDA, which will rule on Mylan's product, called Sirdupla in the UK, by March 28 and Hikma and Vectura's VR-315 by May 10. Consensus forecasts show that Advair is already in decline – pricing pressure has hit respiratory products hard in the past few years. Glaxo expects US sales of the asthma and COPD therapy to fall 15-17% this year without generics, although should they enter sales will plunge to £1bn ($1.2bn). Given that this is below current consensus forecasts, Glaxo is clearly bracing the financial community for the worst.




### Parsabiv a fraction of Sensipar

### February 8, 2017

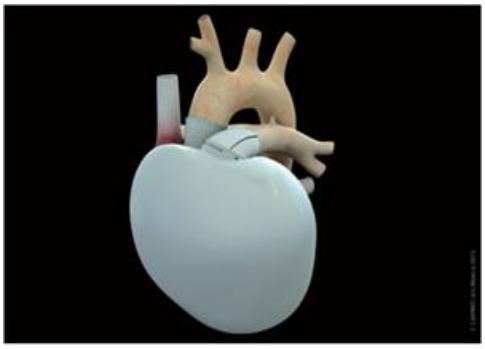
Whatever caused the FDA to knock Amgen's approval application for Parsabiv back last August, it does not seem to have been safety. The drug, a calcimimetic designed to reduce production of parathyroid hormone, has been approved with a clean label for treating secondary hyperparathyroidism in patients with end-stage renal disease who are receiving haemodialysis. Parsabiv is a follow-on to Sensipar, which comes off patent next year, but as it is injected it will be included in Medicare's bundled payments for dialysis patients – Sensipar, an oral product, was outside this system. Amgen has been quick to scotch the idea that this means a lower price for the new drug, stating that "the monthly costs of Parsabiv and Sensipar should be comparable". Sales expectations, however, have sunk: *EvaluatePharma*'s consensus data put 2020 sales of Parsabiv at $179m; in August, before the complete response letter, the figure stood at $306m. This is a poor showing indeed compared with Sensipar, sales of which are forecast to peak this year at $1.7bn.




**Heartache for Carmat**

**February 7, 2017**

Any hopes that Carmat had for a speedy resumption of its CE mark trial have been dashed by the news that the company's artificial heart was responsible for a patient death first disclosed in November. The French group blamed user error, specifically "an incorrect battery handling by the patient", which caused the prosthesis to stop working. Carmat said it is working on this issue to improve safety for the next patients – but its goal of CE marking its artificial heart for sale in Europe by 2018 now looks well out of reach. It has withdrawn its request with the French regulator ANSM to resume the trial, and plans to file a new request in "the near future". Its share price was unaffected yesterday, suggesting that investors had been expecting the worst. Even so, with only €43.4m ($46m) in the bank at the end of June, Carmat risks running out of funds if the trial does not get back on track sooner rather than later.



Source: Carmatsa.com

**CD123 safety scares can't stop Cellectis**

**February 7, 2017**

Concerns about CD123 as a target have not stopped the FDA giving Cellectis the go-ahead to start human trials of its off-the-shelf CAR-T therapy UCART123, its most advanced wholly owned project. It no doubt helps that the company will be targeting the intractable diseases acute myeloid leukaemia and blastic plasmacytoid dendritic cell neoplasm. Nevertheless, safety will be closely watched once the trials begin in the first half of 2017, particularly after a recent death in the pivotal study of Stemline Therapeutics' CD123-targeting project SL-401. It is not yet known if SL-401's side effect of capillary leak syndrome is down to the target or its cytotoxic payload; a phase I trial of another anti-CD123 agent, Johnson & Johnson's bispecific JNJ-63709178, has also been suspended owing to a serious adverse event. In Cellectis's safety and tolerability study, capillary leak syndrome of grade 3 or above is listed as a dose-limiting toxicity.

**Selected projects targeting CD123**

| Project | Company | Mechanism | Status |
|---|---|---|---|
| JNJ-56022473 | Xencor/J&J | Bispecific MAb | Phase II |
| SL-401 | Stemline Therapeutics | Protein/drug conjugate | 2 deaths in phase II |
| MGD006/ S80880 | Macrogenics/Servier | Bispecific MAb | Phase I |
| XmAb14045 | Xencor | Bispecific MAb | Phase I |
| CD123 CAR-T Project | Mustang Therapeutics | Autologous CAR-T | Phase I |
| KHK2823 | Kyowa Hakko Kirin | MAb | Phase I |
| MB-102 | Fortress Biotech | Autologous CAR-T | Phase I |
| JNJ-63709178 | Genmab/J&J | Bispecific MAb | Phase I on hold |
| UCART123 | Cellectis | Allogeneic CAR-T | US IND approved |

*Source: EvaluatePharma*

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